



BIG RAPIDS, MICHIGAN

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

BIG RAPIDS PUBLIC SCHOOLS

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**BIG RAPIDS PUBLIC SCHOOLS
ADMINISTRATIVE PERSONNEL
YEAR ENDED JUNE 30, 2007**

SCHOOL BOARD MEMBERS

Suzanne Hosking	President
Kathy Bouwman	Vice President
Michael Wyman	Treasurer
Suzette Compton	Secretary
Peter Peterson	Trustee
Michael Mekaru	Trustee
John Thomas	Trustee

SUPERINTENDENT

Dr. Thomas Langdon

ASSISTANT SUPERINTENDENT

Mark Klumpp

PRINCIPALS

Tim Haist	High School
Russ Greenleaf	Middle School
Mort Meier	Elementary School
Tim Buckingham	Elementary School/ Early Childhood Center



REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

November 8, 2007

Board of Education
Big Rapids Public Schools
Big Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Big Rapids Public Schools, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Big Rapids Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Big Rapids Public Schools as of June 30, 2007, and the respective changes in financial position, where applicable, thereof and the budgetary comparisons of the general fund and food service special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also separately issued our report dated November 8, 2007 on our consideration of the Big Rapids Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Big Rapids Public Schools' basic financial statements. The combining and individual nonmajor fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the Big Rapids Public Schools' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of Big Rapids Public Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$2,458,103 (*net assets*). This is net of a deficit of \$4,756 in *unrestricted net assets*, which represents the amount that may be used to meet the District's ongoing obligations for general district programs.
- The District's total net assets increased by \$711,201.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,174,289, a decrease of \$342,797 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$293,452, or 2 percent of total general fund expenditures and transfers out.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements display functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The activities of the District include instruction, supporting services, community services, food services, and athletics.

The government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District fall within the governmental and fiduciary fund type categories.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *government activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, food service, 2007 energy bond, and 1999 debt service funds which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 12-17 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for the government wide financial statements. The fiduciary funds statement of fiduciary assets and liabilities can be found on page 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-31 of this report.

Other information. The combining and individual fund financial statements and schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. They can be found on pages 32-37 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$2,458,103 at the close of the most recent fiscal year.

Big Rapids Public Schools' Net Assets

	<u>2007</u>	<u>2006</u>
Assets		
Current and other assets	\$ 6,760,452	\$ 6,179,277
Capital assets, net	<u>26,127,632</u>	<u>25,286,576</u>
Total assets	<u>32,888,084</u>	<u>31,465,853</u>
Liabilities		
Long-term liabilities	24,824,333	23,781,418
Other liabilities	<u>5,605,648</u>	<u>5,937,533</u>
Total liabilities	<u>30,429,981</u>	<u>29,718,951</u>
Net assets		
Invested in capital assets, net of related debt	1,941,094	675,922
Restricted	521,765	488,351
Unrestricted (deficit)	<u>(4,756)</u>	<u>582,629</u>
Total net assets	<u><u>\$ 2,458,103</u></u>	<u><u>\$ 1,746,902</u></u>

At the end of the current fiscal year, the District was able to report a positive balance in net assets for the District as a whole.

The District's net assets were \$2,458,103 at June 30, 2007. Capital assets, net of related debt totaling \$1,941,094, compares the original cost, less depreciation of the District's capital assets, to long-term debt used to finance the acquisition of these assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net assets for day-to-day operations. The remaining amount of net assets was an unrestricted deficit of \$4,756.

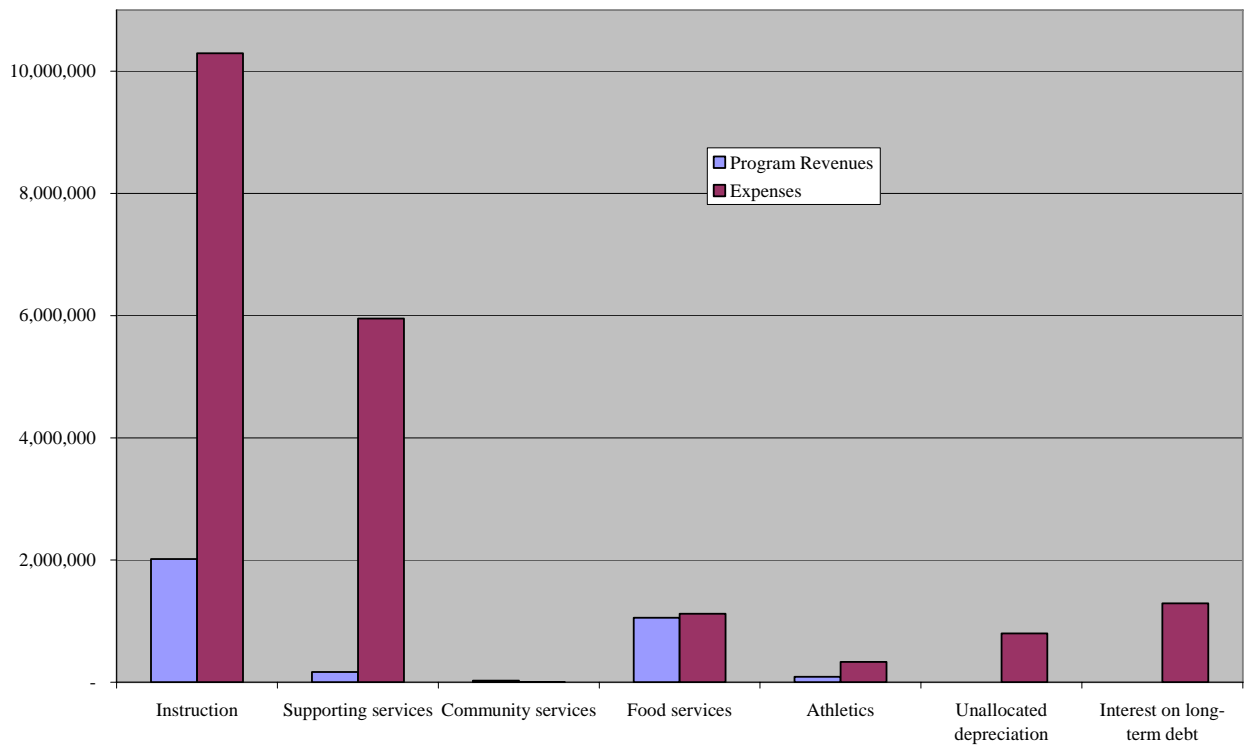
The \$4,756 deficit in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

Big Rapids Public Schools' Changes in Net Assets

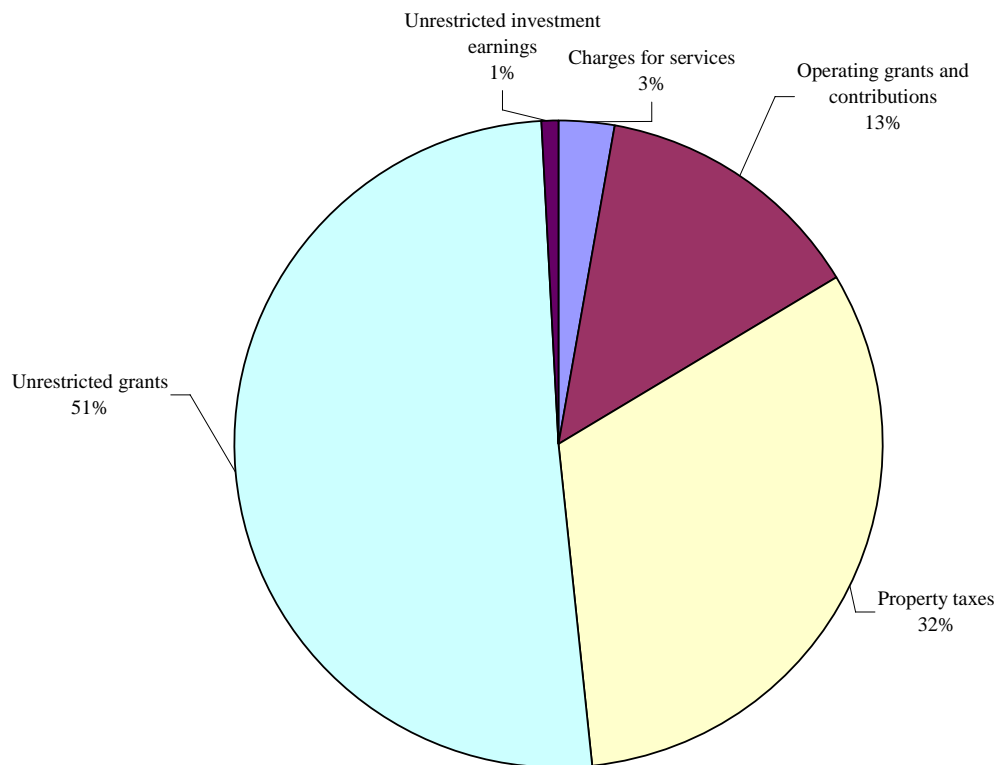
	<u>2007</u>	<u>2006</u>
Revenues		
Program revenues:		
Charges for services	\$ 586,419	\$ 596,960
Operating grants and contributions	2,764,742	2,613,652
General revenues:		
Property taxes	6,555,228	6,118,430
Grants and contributions not restricted to specific programs	10,409,001	10,523,940
Unrestricted investment earnings	194,009	125,728
Total revenues	<u>20,509,399</u>	<u>19,978,710</u>
Expenses		
Instruction	10,295,882	10,545,509
Supporting services	5,952,718	5,845,524
Community services	3,166	56,405
Food services	1,121,978	1,116,563
Athletics	333,072	307,963
Unallocated depreciation	799,476	811,500
Interest on long-term debt	1,291,906	1,271,532
Total expenses	<u>19,798,198</u>	<u>19,954,996</u>
 Change in net assets	 711,201	 23,714
 Net assets, beginning of year	 <u>1,746,902</u>	 <u>1,723,188</u>
 Net assets, end of year	 <u><u>\$ 2,458,103</u></u>	 <u><u>\$ 1,746,902</u></u>

The increase in net assets of governmental activities is primarily due to principal payments and capital outlay being recorded as expenditures in the fund statements, but as a reduction in liabilities and long-term assets, respectively, in the government-wide statement of net assets.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance was \$293,452 and total fund balance of the general fund was \$312,202. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance each represent approximately 2 percent of total general fund expenditures and transfers out.

The fund balance of the District's general fund decreased by \$532,660 during the current fiscal year. This was mainly due to higher expenditures than expected. The largest revenue source in this fund is state revenue which includes primarily state aid. Expenditures consist primarily of costs associated with supporting the District's instructional and supporting services operations.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were caused by:

- Larger decline in enrollment than originally expected.
- Severance plans for teaching staff.
- Higher utility, fuel and substitute costs than originally expected.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2007 amounted to \$26,082,732 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment.

There was no major capital asset activity during the current fiscal year.

Big Rapids Public Schools Capital Assets (net of depreciation)

	<u>2007</u>	<u>2006</u>
Land	\$ 570,602	\$ 570,602
Construction in progress	1,528,649	-
Buildings and improvements	23,557,862	24,126,460
Furniture and equipment	234,423	357,773
Buses and vehicles	<u>191,196</u>	<u>231,741</u>
Total	<u>\$ 26,082,732</u>	<u>\$ 25,286,576</u>

Additional information on the District's capital assets can be found in Note 6 on pages 26-27 of this report.

Long-term debt. At the end of the current fiscal year, the District had long-term debt outstanding of \$24,824,333. This includes bonds, notes and capital leases as well as early retirement and compensated absences.

The District's total debt decreased by \$241,710 during the current fiscal year.

Additional information on the District's long-term debt can be found in Note 8 on pages 28-29 of this report.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2007-08 fiscal year:

- Revenue based on foundation allowance increase of \$120 per pupil.
- Decline in enrollment of 10 FTE's.
- Union wages were projected to increase according to negotiated contracts.
- MPSERS rate of 16.72%.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent, 21034 15 Mile Road, Big Rapids, Michigan, 49307.

BASIC FINANCIAL STATEMENTS

BIG RAPIDS PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 4,348,477
Investments	11,792
Accounts receivable	96,194
Due from other governments	2,270,407
Prepaid items	20,000
Inventory	13,582
Total current assets	<u>6,760,452</u>
Noncurrent assets:	
Capital assets not being depreciated	2,099,251
Capital assets being depreciated, net	23,983,481
Deferred bond charges, net	44,900
Total noncurrent assets	<u>26,127,632</u>
Total assets	<u>32,888,084</u>
Liabilities	
Current liabilities:	
Accounts payable	38,062
Accrued expenses	1,752,766
Unearned revenue	14,820
Notes payable	3,800,000
Current portion of compensated absences/early retirement incentive	100,569
Current portion of long-term debt	1,054,416
Total current liabilities	<u>6,760,633</u>
Noncurrent liabilities:	
Long term portion of compensated absences/early retirement incentive	243,221
Non-current portion of long-term debt	23,426,127
Total noncurrent liabilities	<u>23,669,348</u>
Total liabilities	<u>30,429,981</u>
Net assets	
Invested in capital assets, net of related debt	1,941,094
Restricted for food service	91,189
Restricted for debt service	419,774
Restricted for capital projects	10,802
Unrestricted (deficit)	<u>(4,756)</u>
Total net assets	<u>\$ 2,458,103</u>

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS**Statement of Activities****For the Year Ended June 30, 2007**

<u>Functions / Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 10,295,882	\$ 3,215	\$ 2,012,615	\$ (8,280,052)
Supporting services	5,952,718	22,314	144,759	(5,785,645)
Community services	3,166	26,545	-	23,379
Food services	1,121,978	445,299	607,368	(69,311)
Athletics	333,072	89,046	-	(244,026)
Depreciation - unallocated	799,476	-	-	(799,476)
Interest on long-term debt	1,291,906	-	-	(1,291,906)
Total governmental activities	<u>\$ 19,798,198</u>	<u>\$ 586,419</u>	<u>\$ 2,764,742</u>	<u>(16,447,037)</u>
General revenues:				
Property taxes - operations				3,714,825
Property taxes - debt service				2,840,403
Grants and contributions not restricted to specific programs				10,409,001
Unrestricted investment earnings				<u>194,009</u>
Total general revenues				<u>17,158,238</u>
Change in net assets				711,201
Net assets, beginning of year				<u>1,746,902</u>
Net assets, end of year				<u>\$ 2,458,103</u>

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Balance Sheet Governmental Funds June 30, 2007

	General	Food Service	1999 Debt	2007 Energy Bonds	Nonmajor Funds	Total
Assets						
Cash and cash equivalents	\$ 3,502,343	\$ 71,504	\$ 586,315	\$ 154,447	\$ 33,868	\$ 4,348,477
Investments	11,792	-	-	-	-	11,792
Accounts receivable	86,575	6,315	3,304	-	-	96,194
Due from other governments	2,174,763	6,714	-	-	88,930	2,270,407
Prepays	18,750	1,250	-	-	-	20,000
Inventory	-	13,582	-	-	-	13,582
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 5,794,223</u>	<u>\$ 99,365</u>	<u>\$ 589,619</u>	<u>\$ 154,447</u>	<u>\$ 122,798</u>	<u>\$ 6,760,452</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 34,966	\$ 858	\$ -	\$ -	\$ 2,238	\$ 38,062
Accrued expenditures	1,578,987	1,361	-	-	2,573	1,582,921
Deferred revenue	68,068	5,957	-	-	91,155	165,180
Notes payable	<u>3,800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,800,000</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>5,482,021</u>	<u>8,176</u>	<u>-</u>	<u>-</u>	<u>95,966</u>	<u>5,586,163</u>
Fund balances						
Reserved for:						
Prepays	18,750	1,250	-	-	-	20,000
Inventory	-	13,582	-	-	-	13,582
Unreserved:						
Undesignated, reported in nonmajor special revenue funds	-	-	-	-	26,832	26,832
Undesignated	<u>293,452</u>	<u>76,357</u>	<u>589,619</u>	<u>154,447</u>	<u>-</u>	<u>1,113,875</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>312,202</u>	<u>91,189</u>	<u>589,619</u>	<u>154,447</u>	<u>26,832</u>	<u>1,174,289</u>
Total liabilities and fund balances	<u>\$ 5,794,223</u>	<u>\$ 99,365</u>	<u>\$ 589,619</u>	<u>\$ 154,447</u>	<u>\$ 122,798</u>	<u>\$ 6,760,452</u>

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2007

Fund balances - governmental funds	\$ 1,174,289
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term receivables are reported as an asset and revenue when earned on the statement of net assets while the governmental funds report these balances as an asset and deferred revenue until the availability criterion for revenue recognition is met.	
Add - deferred long-term receivables	150,360
Bond issuance costs are expensed in the fund statements, but are recorded as noncurrent assets in the statement of net assets and amortized over the life of the related bonds payable.	
Add - deferred bond charges, net of accumulated amortization	44,900
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets not being depreciated	2,099,251
Add - capital assets being depreciated, net	23,983,481
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - bonds and installment notes payable	(24,480,543)
Deduct - accrued interest on bonds payable	(169,845)
Deduct - compensated absences and early retirement incentive	(343,790)
Net assets of governmental activities	<u><u>\$ 2,458,103</u></u>

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	General	Food Service	1999 Debt	2007 Energy Bonds	Nonmajor Funds	Total
Revenues						
Local sources	\$ 4,095,878	\$ 467,857	\$ 2,878,969	\$ 10,802	\$ 95,291	\$ 7,548,797
State sources	11,732,125	47,392	-	-	-	11,779,517
Federal sources	658,414	559,976	-	-	-	1,218,390
Total revenue	16,486,417	1,075,225	2,878,969	10,802	95,291	20,546,704
Expenditures						
Current:						
Instruction	10,423,118	-	-	-	-	10,423,118
Supporting services	5,966,155	-	-	-	-	5,966,155
Community services	3,166	-	-	-	-	3,166
Food services	-	1,121,978	-	-	-	1,121,978
Athletics	-	-	-	-	333,072	333,072
Debt service:						
Principal	124,181	-	1,654,159	-	55,000	1,833,340
Interest	164,525	-	1,133,860	-	16,023	1,314,408
Bond issuance costs	-	-	-	28,308	-	28,308
Capital outlay	37,909	-	-	1,528,649	-	1,566,558
Total expenditures	16,719,054	1,121,978	2,788,019	1,556,957	404,095	22,590,103
Revenues over (under) expenditures	(232,637)	(46,753)	90,950	(1,546,155)	(308,804)	(2,043,399)
Other financing sources (uses)						
Transfers in	-	-	-	-	300,023	300,023
Transfers out	(300,023)	-	-	-	-	(300,023)
Issuance of long-term debt	-	-	-	1,720,000	-	1,720,000
Discount on issuance on long-term debt	-	-	-	(19,398)	-	(19,398)
Total other financing sources (uses)	(300,023)	-	-	1,700,602	300,023	1,700,602
Net changes in fund balances	(532,660)	(46,753)	90,950	154,447	(8,781)	(342,797)
Fund balances, beginning of year	844,862	137,942	498,669	-	35,613	1,517,086
Fund balances, end of year	\$ 312,202	\$ 91,189	\$ 589,619	\$ 154,447	\$ 26,832	\$ 1,174,289

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2007

Net changes in fund balances - governmental funds \$ (342,797)

Amounts reported for *governmental activities* in the statement of activities are different because:

Long-term receivables are reported as revenue when earned on the statement of activities while the governmental funds report these balances as revenue when the availability criterion for revenue recognition is met.

Deduct - decrease in deferred long-term receivables (37,305)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay 1,595,632
Deduct - depreciation expense (799,476)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but is recorded as a reduction in bonds payable on the government-wide statements.

Add - principal payments on long-term liabilities 1,833,340
Add - interest expense deducted from Michigan School Bond Loan Fund 16,771
Deduct - issuance of long-term debt (1,720,000)
Add - bond issuance costs 47,706
Deduct - amortization of bond issuance costs (2,806)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds 8,537
Add - decrease in the accrual for compensated absences and early retirement incentive 111,599

Change in net assets of governmental activities \$ 711,201

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	Budget			Variance with Final Budget
	Original	Amended	Actual	
Revenues				
Local sources	\$ 4,033,380	\$ 4,123,080	\$ 4,095,878	\$ (27,202)
State sources	11,740,840	11,717,017	11,732,125	15,108
Federal sources	784,143	672,074	658,414	(13,660)
Total revenues	16,558,363	16,512,171	16,486,417	(25,754)
Expenditures				
Current:				
Instruction	10,053,973	10,284,551	10,423,118	138,567
Supporting services	5,890,131	5,817,678	5,966,155	148,477
Community services	64,601	58,455	3,166	(55,289)
Debt service:				
Principal	98,285	98,285	124,181	25,896
Interest	102,771	170,000	164,525	(5,475)
Capital outlay	31,619	31,619	37,909	6,290
Total expenditures	16,241,380	16,460,588	16,719,054	258,466
Revenues over (under) expenditures	316,983	51,583	(232,637)	(284,220)
Other financing sources (uses)				
Transfers out	(316,983)	(316,983)	(300,023)	16,960
Net changes in fund balance	-	(265,400)	(532,660)	(267,260)
Fund balance, beginning of year	844,862	844,862	844,862	-
Fund balance, end of year	\$ 844,862	\$ 579,462	\$ 312,202	\$ (267,260)

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS
Food Service Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

	Budget			Variance with Final Budget
	Original	Amended	Actual	
Revenues				
Local sources:				
Food sales	\$ 435,000	\$ 381,500	\$ 409,542	\$ 28,042
Interest	4,000	22,000	22,558	558
Other	40,000	30,000	35,757	5,757
Total local sources	479,000	433,500	467,857	34,357
State sources:				
State aid	9,200	44,000	47,392	3,392
Federal sources:				
Federal aid received through the State	495,000	522,000	523,001	1,001
USDA donated commodities	30,000	30,000	36,975	6,975
Total federal sources	525,000	552,000	559,976	7,976
Total revenues	1,013,200	1,029,500	1,075,225	45,725
Expenditures				
Supporting services	1,053,200	1,124,900	1,121,978	(2,922)
Net changes in fund balance	(40,000)	(95,400)	(46,753)	48,647
Fund balance, beginning of year	137,942	137,942	137,942	-
Fund balance, end of year	\$ 97,942	\$ 42,542	\$ 91,189	\$ 48,647

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

Assets

Cash and cash equivalents

\$ 157,101

Liabilities

Due to student groups

\$154,908

Withholdings payable

2,193

Total liabilities

\$ 157,101

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of the Big Rapids Public Schools (the “District”) consistently applied in the preparation of the accompanying financial statements follows.

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the reporting entity of the Big Rapids Public Schools. The criteria identified in GASB Statements 14 and 39, including financial accountability, have been utilized when identifying the District reporting entity which includes no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2007.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds also use the accrual basis of accounting, but do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

BIG RAPIDS PUBLIC SCHOOLS

Notes to Financial Statements

Property taxes, expenditure driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the district.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *food service fund* accounts for the revenue and expenditures of the school lunch program.

The *1999 debt fund* accounts for the accumulation of resources which are restricted for the payment of the 1999 bonds and the Michigan School Bond Loan Fund debt payments each year.

The *2007 energy bonds fund* accounts for the accumulation of resources and the related capital outlay expenditures from the 2007 energy conservation bonds.

Additionally, the government reports the following fund types:

The *special revenue funds* account for assets which are restricted for specific purposes.

The *debt service funds* account for the accumulation of resources which are restricted for the payment of principal and interest on bonds.

The *fiduciary funds* account for resources held for student activities and payroll taxes and benefits.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, unrestricted grants and interest income.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data as reflected in the financial statements.

Budgets are adopted for general and special revenue funds as required by state law and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The District considers the debt service schedule to be an adequate budgetary control for debt service funds. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following July 1.

BIG RAPIDS PUBLIC SCHOOLS

Notes to Financial Statements

2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
5. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2007. Expenditures may not exceed appropriations at the function level. The appropriations resolutions are based on the projected expenditures budget of the department heads of the District. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures at the functional level must be approved by the District Board.

Appropriations lapse at year-end and amounts may be reappropriated for expenditures to be incurred in the following fiscal year.

Property Taxes

Property taxes are recognized as revenue in the General and Debt Service funds on a levy year basis. The 2006 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within sixty days after year end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues. Property taxes are levied December 1 on the assessed valuation of property located in the District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

Cash and Cash Equivalents

The District considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Investments

The District's investments consist of money market mutual funds with local financial institutions. Investments are stated at fair value.

Michigan law authorizes the District to deposit and invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposits issued by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

BIG RAPIDS PUBLIC SCHOOLS

Notes to Financial Statements

- d. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

Inventories

Inventories consist of office and food service supplies. Inventories are stated at cost (first-in, first-out). United States Department of Agriculture Commodities inventory received by the Food Service Fund is recorded as inventory and liabilities until used.

Prepaids

Payments to vendors for services that will benefit periods beyond a fund's fiscal year-end are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Furniture and equipment	5-20
Buses and other vehicles	5-10

BIG RAPIDS PUBLIC SCHOOLS

Notes to Financial Statements

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

Compensated Absences

Most employees of the District are compensated for leaves of absences chargeable to sick days. Each school year, the covered employees are credited with a number of sick days and any unused portion of such allowances can accumulate. Upon retirement, those employees who meet certain age and years of service requirements will be paid for a portion of sick days accumulated to a maximum number of days and at a rate determined by their job category.

The liability for the sick leave has been computed using the vesting method in accordance with Governmental Accounting Standards Board Statement No. 16, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. This liability is shown on the statement of net assets.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

In the fund financial statements, governmental funds types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Reserves and Designations of Fund Balance/Restricted Net Assets

Reservations of fund balance are established to identify (1) third party claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or (2) the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, or (3) the existence of assets that are legally restricted to a future use.

Restricted net assets represent assets which are legally restricted by outside parties or enabling legislation.

BIG RAPIDS PUBLIC SCHOOLS

Notes to Financial Statements

Durant Related Issues

Under Public Act 142 of 1997, enacted in November 1997 as part of the *Durant* Resolution Package, school districts and intermediate school districts were offered settlement amounts to settle, compromise, and resolve, in their entirety, any potential claims they may have asserted for violations of section 29, Article IX, of the constitution through September 30, 1997, which were similar to the claims asserted by the plaintiffs in the *Durant v. State of Michigan* case. To be eligible to receive its offer of settlement amount, the non-plaintiff district needed to adopt and submit to the State Treasurer a waiver resolution, in the form set forth in Public Act 142 of 1997, waiving any potential claims through September 30, 1997.

Settlement amounts were based on the formula used to determine amounts owed to *Durant* plaintiffs. Half the settlement amount was to be received in ten annual payments; *the other half was received in a lump sum by participating in a special bonding program offered through the Michigan Municipal Bond Authority (MMBA)* or in fifteen annual payments. Big Rapids Public Schools elected to participate in the special bonding program.

Districts electing to bond under the Durant settlement received a lump sum amount (bond proceeds) on November 24, 1998. This created a liability which will be reduced each year with an annual state appropriation made for debt service on the bonds. The annual State of Michigan appropriation is the only revenue source for making the annual debt service payment on the bonds. If the legislature fails to appropriate the funds, the district is under no obligation for payment. Additionally, the bond documentation states specifically that the Bonds shall not be in any way a debt or liability of the State of Michigan. This liability and a related asset has been booked on the statement of net assets. Annual appropriations from the State are recorded in the Durant Debt Service Fund along with the payment of the interest and principal of the bonds.

The original bond proceeds were recorded in the Durant Construction Fund and expended for purposes specified in Section 1351a of the Revised School Code.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District.

2. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan School aid appropriation acts. State funding provided 71% of general fund revenue to the District during the 2007 fiscal year.

BIG RAPIDS PUBLIC SCHOOLS

Notes to Financial Statements

3. DEFICIT NET ASSETS

At June 30, 2007, the District had an unrestricted deficit net assets of \$4,756 for governmental activities. Net asset (which are positive in total) include restrictions for amounts invested in capital assets, net of related debt, and restrictions for food service, capital outlay, and debt service purposes.

4. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended June 30, 2007 the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
Instruction	\$10,284,551	\$10,423,118	\$138,567
Supporting services	5,817,678	5,966,155	148,477
Capital outlay	31,619	37,909	6,290
Principal	98,285	124,181	25,896

5. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and cash equivalents are as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$4,348,477	\$157,101	\$4,505,578
Investments	11,792	-	11,792
Total cash and cash equivalents and investments	<u>\$4,360,269</u>	<u>\$157,101</u>	<u>\$4,517,370</u>
Checking and savings accounts			\$4,455,411
Certificates of deposit (due within one year)			48,780
Investments			11,792
Cash on hand			1,387
			<u>\$4,517,370</u>

These deposits are in two (2) financial institutions located in Michigan. State policy limits the District's investing options to financial institutions located in Michigan. All accounts are in the name of the District and a specific fund or common account. They are recorded in District records at fair value.

The District chooses to disclose its investments by specifically identifying each. As of year end, the District had the following investment:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Mutual Fund			
MILAF Plus – Cash Management Funds	N/A	\$11,792	AAAm

BIG RAPIDS PUBLIC SCHOOLS

Notes to Financial Statements

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of the District's specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1 (summary of significant accounting policies). The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District's investment policy. As of year end, \$4,465,536 of the District's bank balance of \$4,642,838 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. Of the above mutual fund investments, the District's custodial credit risk exposure can not be determined because the mutual funds do not consist of specifically identifiable securities.

6. CAPITAL ASSETS

A summary of capital assets activity for the year ended June 30, 2007 is as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2007</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 570,602	\$ -	\$ -	\$ 570,602
Construction in progress	-	1,528,649	-	1,528,649
Total capital assets not being depreciated	570,602	1,528,649	-	2,099,251
Depreciable capital assets:				
Buildings and improvements	30,652,350	60,806	-	30,713,156
Furniture and equipment	835,237	6,177	-	841,414
Buses and vehicles	1,207,897	-	-	1,207,897
Total depreciable capital assets	32,695,484	66,983	-	32,762,467

BIG RAPIDS PUBLIC SCHOOLS
Notes to Financial Statements

	Balance July 1, 2006	Additions	Dispositions	Balance June 30, 2007
Less accumulated depreciation:				
Buildings and improvements	\$ 6,525,890	\$ 629,404	\$ -	\$ 7,155,294
Furniture and equipment	477,464	129,527	-	606,991
Buses and vehicles	976,156	40,545	-	1,016,701
Total accumulated depreciation	7,979,510	799,476	-	8,778,986
Total capital assets being depreciated, net	24,715,974	(732,493)	-	23,983,481
Governmental activities capital assets, net	<u>\$25,286,576</u>	<u>\$796,156</u>	<u>\$ -</u>	<u>\$26,082,732</u>

Depreciation for the fiscal year ended June 30, 2007 amounted to \$799,476. The district determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

7. INTERFUND BALANCES AND TRANSFERS

Interfund balances primarily reflect balances utilized to facilitate appropriate cash flow for operations. There were no interfund balances outstanding at year end.

Transfers primarily reflect subsidies allocated from the General Fund.

	<u>In</u>	<u>Out</u>
Interfund Transfers		
General Fund	\$ -	\$300,023
Nonmajor Funds:		
Athletics Special Revenue	229,000	-
2000 Energy Debt Service	71,023	-
Total	<u>\$300,023</u>	<u>\$300,023</u>

BIG RAPIDS PUBLIC SCHOOLS

Notes to Financial Statements

8. LONG-TERM DEBT

The following is a summary of debt transactions of the District for the year ended June 30, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$21,343,930	\$ 1,720,000	\$ 995,000	\$22,068,930	\$985,000
Installment purchase agreements	295,693	-	124,181	171,512	69,416
	<u>21,639,623</u>	<u>1,720,000</u>	<u>1,119,181</u>	<u>22,240,442</u>	<u>1,054,416</u>
School bond loan fund	2,971,031	-	730,930	2,240,101	-
Early retirement incentive	270,000	-	130,000	140,000	70,000
Compensated absences	185,389	42,353	23,952	203,790	30,569
	<u>\$25,066,043</u>	<u>\$ 1,762,353</u>	<u>\$2,004,063</u>	<u>\$24,824,333</u>	<u>\$1,154,985</u>

Bonds payable at June 30, 2007, are comprised of the following issues:

General Obligation Bonds:

2007 Energy Bonds due in amounts ranging from \$35,000 through \$165,000 plus interest at 4.0% through 2024 \$ 1,720,000

1999 Refunding Bonds due in amounts ranging from \$105,000 through \$1,100,000 plus interest at 3.15 - 4.75% through 2025 (unlimited tax, general obligation) 20,260,000

* 1998 School Improvement Bonds (Durant Settlement) due in amounts ranging from \$6,641 through \$15,438 plus interest at 4.76% through 2013 88,930

\$22,068,930

* The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service.

BIG RAPIDS PUBLIC SCHOOLS

Notes to Financial Statements

Installment purchase agreements at June 30, 2007, are comprised of the following:

Installment Purchase Agreements:

2003 Installment purchase agreement due in amounts ranging from \$14,735 through \$15,670 plus interest at 3.09% through 2008	\$ 31,101
2003 Installment purchase agreement due in monthly installments of \$2,158 through August 2008, with interest at 7.31%	28,054
2006 Installment purchase agreement due in installments of \$28,089 plus interest at 4.19% through 2011	<u>112,357</u>
	<u>\$171,512</u>

Annual debt service requirements to maturity for general obligation bonds and installment purchase agreements are as follows:

Year Ended June 30	Principal	Interest	Total
2008	\$ 1,054,416	\$ 1,018,341	\$ 2,072,757
2009	1,079,299	978,493	2,057,792
2010	1,101,870	934,650	2,036,520
2011	1,177,289	887,791	2,065,080
2012	1,232,473	854,357	2,086,830
2013 – 2017	6,370,095	3,341,987	9,712,082
2018 – 2022	6,525,000	1,785,864	8,310,864
2023 – 2025	<u>3,700,000</u>	<u>338,764</u>	<u>4,038,764</u>
	<u>\$22,240,442</u>	<u>\$10,140,247</u>	<u>\$32,380,689</u>

The School Bond Loan Fund represents amounts borrowed from the State of Michigan School Bond loan program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the Debt Service requirements on the general obligation bonds. Changes to the School Bond Loan Fund for the year ended June 30, 2007, are as follows:

	Principal	Interest	Total
Beginning balance	\$ 2,851,291	\$ 119,740	\$ 2,971,031
Additions	-	-	-
Deletions	<u>714,159</u>	<u>16,771</u>	<u>730,930</u>
Ending balance	<u>\$ 2,137,132</u>	<u>\$ 102,969</u>	<u>\$ 2,240,101</u>

Compensated absences and the early retirement incentives are expected to be liquidated by the general fund.

BIG RAPIDS PUBLIC SCHOOLS

Notes to Financial Statements

9. SHORT-TERM DEBT – NOTES PAYABLE

The District issues state aid notes in advance of state aid collections, depositing the proceeds in its general fund. These notes are necessary because the District must maintain cash on hand for operations, whereas collections from state aid are only received from October through August each year.

Short-term debt activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
State aid notes	\$2,800,000	\$3,800,000	\$2,800,000	\$3,800,000

The state aid notes were due on August 20, 2007.

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2007, the District carried commercial insurance for claims. The District has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

11. RETIREMENT PLAN

Plan Description

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-6000.

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate as a percentage of covered payroll was 16.34% for July through September and 17.74% for October through June. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPERS for the years ended June 30, 2007, 2006, and 2005, were \$1,706,228, \$1,562,617, and \$1,355,124, respectively, equal to the required contributions for each year.

BIG RAPIDS PUBLIC SCHOOLS

Notes to Financial Statements

Other Post-Employment Benefits

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.

12. CONTINGENCIES

Federal Grant Programs

The District participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

13. COMMITMENTS

At June 30, 2007, the District had an outstanding construction contract in the amount of approximately \$170,000 for energy conservation improvements related to the 2007 energy bonds.

14. SUBSEQUENT EVENT

On August 20, 2007, the District borrowed \$3,800,000 in a State Aid Anticipation Note. The note bears interest at 3.68 percent and is due August 20, 2008.

* * * * *

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

GENERAL FUND

BIG RAPIDS PUBLIC SCHOOLS
General Fund
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2007

	Budget		Actual	Variance with Final Budget
	Original	Amended		
Revenue				
Local sources:				
Property taxes	\$ 3,721,880	\$ 3,721,880	\$ 3,714,825	\$ (7,055)
Tuition	55,000	55,000	29,760	(25,240)
Interest	77,000	110,000	115,838	5,838
Other	179,500	236,200	235,455	(745)
Total local sources	4,033,380	4,123,080	4,095,878	(27,202)
State sources:				
State aid - unrestricted	10,725,114	10,510,854	10,445,569	(65,285)
At-risk	519,119	610,092	615,777	5,685
Special education	377,807	457,471	532,179	74,708
Preschool grant	118,800	138,600	138,600	-
Total state sources	11,740,840	11,717,017	11,732,125	15,108
Federal sources:				
Federal aid received through the state -				
Title I - regular	506,663	442,756	425,756	(17,000)
Title I - carryover	39,989	45,000	45,000	-
Title II	163,362	154,277	154,277	-
Title V	7,746	3,261	3,261	-
Safe and drug free	36,253	17,780	13,104	(4,676)
Other	-	-	5,028	5,028
Federal aid received through intermediate school districts	30,130	9,000	11,988	2,988
Total revenue from federal sources	784,143	672,074	658,414	(13,660)
Total revenue	16,558,363	16,512,171	16,486,417	(25,754)
Expenditures				
Instruction:				
Basic programs				
Elementary	3,167,925	3,257,799	3,283,798	25,999
Middle school	2,061,658	2,042,249	2,024,564	(17,685)
High school	2,594,804	2,619,896	2,756,237	136,341
Early education	105,415	111,971	118,514	6,543
Total basic programs	7,929,802	8,031,915	8,183,113	151,198
Added needs				
Special education	1,297,271	1,281,004	1,307,721	26,717
Compensatory education	826,900	971,632	932,284	(39,348)
Total added needs	2,124,171	2,252,636	2,240,005	(12,631)
Total instruction	10,053,973	10,284,551	10,423,118	138,567
Supporting services:				
Pupil services				
Guidance services	602,423	570,004	565,466	(4,538)
Social work services	4,083	3,460	4,723	1,263
Other pupil services	34,056	32,688	33,299	611
Total pupil services	640,562	606,152	603,488	(2,664)

(continued)

BIG RAPIDS PUBLIC SCHOOLS
General Fund
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - (Concluded)
For the Year Ended June 30, 2007

	Budget		Actual	Variance with Final Budget
	Original	Amended		
Expenditures (continued)				
Supporting services (continued)				
Instructional staff				
Improvement of instruction	\$ 288,585	\$ 325,039	\$ 348,966	\$ 23,927
Library	194,214	178,326	172,820	(5,506)
Direction of instruction	-	-	42,711	42,711
Other instructional services	25,435	10,663	10,235	(428)
Total instructional staff	508,234	514,028	574,732	60,704
General administration				
Board of Education	82,600	102,600	110,609	8,009
Executive administration	231,151	235,298	241,678	6,380
Fiscal services	350,030	333,430	357,096	23,666
Total general administration	663,781	671,328	709,383	38,055
School administration				
Elementary and secondary administration	1,170,376	1,135,340	1,083,042	(52,298)
Operation and maintenance	1,841,098	1,829,775	1,903,202	73,427
Security services	30,000	30,000	27,509	(2,491)
Pupil transportation	611,876	619,729	626,417	6,688
Information services	244,651	211,973	217,171	5,198
Other services	36,283	36,283	36,503	220
Payments to other schools	143,270	163,070	184,708	21,638
Total supporting services	5,890,131	5,817,678	5,966,155	148,477
Community services	64,601	58,455	3,166	(55,289)
Debt service:				
Principal	98,285	98,285	124,181	25,896
Interest	102,771	170,000	164,525	(5,475)
Total debt service	201,056	268,285	288,706	20,421
Capital outlay	31,619	31,619	37,909	6,290
Total expenditures	16,241,380	16,460,588	16,719,054	258,466
Revenues over (under) expenditures	316,983	51,583	(232,637)	(284,220)
Other financing sources (uses)				
Transfers out	(316,983)	(316,983)	(300,023)	16,960
Net changes in fund balance	-	(265,400)	(532,660)	(267,260)
Fund balance, beginning of year	844,862	844,862	844,862	-
Fund balance, end of year	\$ 844,862	\$ 579,462	\$ 312,202	\$ (267,260)

NONMAJOR GOVERNMENTAL FUNDS

BIG RAPIDS PUBLIC SCHOOLS
Combining Balance Sheet
Nonmajor Governmental Fund
June 30, 2007

	<u>Special Revenue</u>	<u>Debt Service Funds</u>		
		2000		
	<u>Athletics</u>	<u>Energy Bonds</u>	<u>Durant Debt</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 33,868	\$ -	\$ -	\$ 33,868
Due from other governments	<u>-</u>	<u>-</u>	<u>88,930</u>	<u>88,930</u>
Total assets	<u><u>\$ 33,868</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 88,930</u></u>	<u><u>\$ 122,798</u></u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 2,238	\$ -	\$ -	\$ 2,238
Accrued expenditures	2,573	-	-	2,573
Deferred revenue	<u>2,225</u>	<u>-</u>	<u>88,930</u>	<u>91,155</u>
Total liabilities	7,036	-	88,930	95,966
Fund balances				
Unreserved, undesignated	<u>26,832</u>	<u>-</u>	<u>-</u>	<u>26,832</u>
Total liabilities and fund balances	<u><u>\$ 33,868</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 88,930</u></u>	<u><u>\$ 122,798</u></u>

BIG RAPIDS PUBLIC SCHOOLS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	<u>Special Revenue</u>	<u>Debt Service Funds</u>		
		2000		
	<u>Athletics</u>	<u>Energy Bonds</u>	<u>Durant Debt</u>	<u>Total</u>
Revenues				
Local sources	\$ 95,291	\$ -	\$ -	\$ 95,291
Expenditures				
Current:				
Athletic activities	333,072	-	-	333,072
Debt service:				
Principal	-	55,000	-	55,000
Interest	-	16,023	-	16,023
Total expenditures	333,072	71,023	-	404,095
Revenues under expenditures	(237,781)	(71,023)	-	(308,804)
Other financing sources				
Transfers in	229,000	71,023	-	300,023
Net changes in fund balances	(8,781)	-	-	(8,781)
Fund balances, beginning of year	35,613	-	-	35,613
Fund balances, end of year	<u>\$ 26,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,832</u>

BIG RAPIDS PUBLIC SCHOOLS
Athletics Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

	Budget			Variance with Final Budget
	Original	Amended	Actual	
Revenues				
Local sources:				
Gate receipts	\$ 74,500	\$ 85,000	\$ 95,291	\$ 10,291
Expenditures				
Supporting services	337,000	345,000	333,072	(11,928)
Revenues over (under) expenditures	(262,500)	(260,000)	(237,781)	22,219
Other financing sources				
Transfers in	255,000	255,000	229,000	(26,000)
Net changes in fund balance	(7,500)	(5,000)	(8,781)	(3,781)
Fund balance, beginning of year	35,613	35,613	35,613	-
Fund balance, end of year	\$ 28,113	\$ 30,613	\$ 26,832	\$ (3,781)

AGENCY FUNDS

BIG RAPIDS PUBLIC SCHOOLS
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2007

	<u>Student Activities</u>	<u>Section 125 Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	<u>\$ 154,908</u>	<u>\$ 2,193</u>	<u>\$ 157,101</u>
 Liabilities			
Due to student groups	\$ 154,908	\$ -	\$ 154,908
Withholdings payable	<u>-</u>	<u>2,193</u>	<u>2,193</u>
 Total liabilities	<u><u>\$ 154,908</u></u>	<u><u>\$ 2,193</u></u>	<u><u>\$ 157,101</u></u>



BIG RAPIDS, MICHIGAN

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2007

BIG RAPIDS PUBLIC SCHOOLS
Single Audit Report

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

November 8, 2007

Board of Education
Big Rapids Public Schools
Big Rapids, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Big Rapids Public Schools, as of and for the year ended June 30, 2007, which collectively comprise Big Rapids Public Schools, basic financial statements and have issued our report thereon dated November 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Big Rapids Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Big Rapids Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Big Rapids Public Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Big Rapids Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Big Rapids Public Schools in a separate letter dated November 8, 2007.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

November 8, 2007

Board of Education
Big Rapids Public Schools
Big Rapids, Michigan

Compliance

We have audited the compliance of Big Rapids Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Big Rapids Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Big Rapids Public Schools' management. Our responsibility is to express an opinion on Big Rapids Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Big Rapids Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Big Rapids Public Schools' compliance with those requirements.

In our opinion, Big Rapids Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Big Rapids Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Big Rapids Public Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Big Rapids Public Schools' internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Big Rapids Public Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated November 8, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Big Rapids Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned in the lower right area of the page.

BIG RAPIDS PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2006	Current Year Cash Received	Expenditures		Accrued (Deferred) Revenue June 30, 2007
						(Memo Only) Prior Year(s)	Year Ended June 30, 2007	
U.S. Department of Agriculture								
Direct program:								
Entitlement Commodities	10.550	2006-2007	\$ 36,954	\$ -	\$ 36,954	\$ -	\$ 36,954	\$ -
Bonus Commodities	10.550	2006-2007	21	-	21	-	21	-
			36,975	-	36,975	-	36,975	-
Passed-through Michigan Department of Education:								
Child Nutrition Cluster:								
National School Lunch - Breakfast	10.553	061970	8,112	-	8,112	-	8,112	-
National School Lunch - Breakfast	10.553	071970	75,211	-	75,211	-	75,211	-
			83,323	-	83,323	-	83,323	-
National School Lunch Section 4 All Lunches	10.555	061950	7,778	-	7,778	-	7,778	-
National School Lunch Section 4 All Lunches	10.555	071950	63,243	-	63,243	-	63,243	-
National School Lunch Section 11 Free & Reduced	10.555	061960	40,677	-	40,677	-	40,677	-
National School Lunch Section 11 Free & Reduced	10.555	071960	322,117	-	322,117	-	322,117	-
National School Lunch Snacks	10.555	061980	500	-	500	-	500	-
National School Lunch Snacks	10.555	051980	5,363	-	5,363	-	5,363	-
			439,678	-	439,678	-	439,678	-
Total U.S. Department of Agriculture			559,976	-	559,976	-	559,976	-
U.S. Department of Education								
Passed-through Michigan Department of Education:								
Title 1, Part A	84.010	061530-0607	45,000	-	29,700	-	45,000	15,300
Title 1, Part A	84.010	071530-0607	442,756	-	280,472	-	425,756	145,284
			487,756	-	310,172	-	470,756	160,584
Drug Free Schools & Communities	84.186	072860-0607	11,514	-	4,429	-	6,838	2,409
Drug Free Schools & Communities	84.186	062860-0607	6,266	-	2,362	-	6,266	3,904
Drug Free Schools & Communities	84.186	062860-0506	20,626	6,318	6,318	14,308	-	-
			38,406	6,318	13,109	14,308	13,104	6,313
Title V	84.298	070250-0607	3,261	-	3,261	-	3,261	-
Technology Literacy Challenge Grant	84.318	074290-0607	4,545	-	-	-	4,545	4,545
Improving Teacher Quality	84.367	070520-0607	149,732	-	104,812	-	149,732	44,920
Passed-through Mecosta/Osceola ISD:								
IDEA	84.027		1,991	1,991	1,991	1,991	-	-
IDEA	84.027		15,000	15,000	15,000	15,000	-	-
			16,991	16,991	16,991	16,991	-	-
Total U.S. Department of Education			700,691	23,309	448,345	31,299	641,398	216,362
U.S. Department of Interior								
Passed-through Newaygo County:								
National Forest	11.000		4,824	-	4,824	-	4,824	-
Passed-through Mecosta County:								
National Forest	11.000		204	-	204	-	204	-
Total U.S. Department of Interior			5,028	-	5,028	-	5,028	-
U.S. Department of Health and Human Services								
Passed-through Mecosta/Osceola ISD:								
Medicaid Outreach	93.778		11,988	4,842	16,830	13,945	11,988	-
Total Schedule of Expenditures of Federal Awards			\$ 1,277,683	\$ 28,151	\$ 1,030,179	\$ 45,244	\$ 1,218,390	\$ 216,362

BIG RAPIDS PUBLIC SCHOOLS
Single Audit Report
Notes to Schedule of Expenditures of Federal Awards

NOTE 1 – RECEIPTS AND REVENUE

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule of Expenditures of Federal Awards has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, deferred revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

NOTE 2 – GRANT EXPENDITURES

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grants Section Auditors Report (7120) and the Grant Auditor Report reconcile with this schedule.

Expenditures are reported on the Schedule of Expenditures of Federal Awards for all active awards. Accordingly, the Schedule presents expenditures for the current year grant which remains active beyond the end of the fiscal year because of the accounts receivable, deferred revenue, or accounts payable items.

BIG RAPIDS PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2007

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: *Unqualified*

Internal controls over financial reporting:

Material weakness(es) identified?	_____ yes	<u> x </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	<u> x </u> none reported

Noncompliance material to financial statements noted?

_____ yes	<u> x </u> no
-----------	-----------------

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?	_____ yes	<u> x </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	<u> x </u> none reported

Type of auditors’ report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?

_____ yes	<u> x </u> no
-----------	-----------------

Identification of Major Programs

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee?	<u> x </u> yes	_____ no
--	------------------	----------

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

None noted

* * * * *



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

November 8, 2007

To the Board of Education of
Big Rapids Public Schools
Big Rapids, Michigan

We have audited the financial statements of Big Rapids Public Schools for the year ended June 30, 2007, and have issued our report thereon dated November 8, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated June 5, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Big Rapids Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Big Rapids Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Big Rapids Public Schools' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Big Rapids Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Big Rapids Public Schools' compliance with those requirements.



Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Big Rapids Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Big Rapids Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Big Rapids Public Schools' financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Big Rapids Public Schools, either individually or in the aggregate, indicate matters that could have a significant effect on Big Rapids Public Schools' financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Big Rapids Public Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Board of Education, management, and federal awarding agencies and pass-through entities and are not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

Big Rapids Public Schools

Comments and Recommendations

For the Year Ended June 30, 2007

In planning and performing our audit of the financial statements of Big Rapids Public Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Other Matters

Independent Review of Journal Entries

During our audit, we noted that certain accounting functions are not routinely reviewed by an independent administrator. For example, certain year-end journal entries are only seen by the employee performing the task. We recommend that the District enhance its internal control by requiring a second administrator to review and initial each of these transactions in the future.

Physical Inventory of Capital Assets

The District has not completed a physical inventory of its capital assets (equipment, furniture, vehicles, etc.) since 2001. We recommend that such an inventory take place to identify whether any capital asset disposals have taken place.

Athletics Cash Receipts

During our audit, we noted that there is very little oversight with regards to the sale of athletic tickets. We recommend that the District keep a register of the number and type of tickets sold during each event which should accompany and be reconciled to the cash received.

Big Rapids Public Schools
Comments and Recommendations
For the Year Ended June 30, 2007

Decentralized Cash Receipts

During our audit, we noted that cash receipts at decentralized locations are not consistently being remitted to the business office on a timely basis. In order to safeguard these assets and allow for them to be reported in the appropriate accounting period, we recommend that each school building remit its cash collections on a weekly basis (or daily for significant deposits).

Budget Compliance

State law requires the District to adopt a budget for its General and Special Revenue Funds by function. Such budgets represent a legal appropriation to expend funds. Accordingly, expenditures may not exceed the budgeted amounts at the legal level of budgetary control. As discussed in Note 4 of the District's financial statements, the District expended certain amounts in excess of the approved budget. We recommend that the School Board amend the budget throughout the year as the need for additional expenditures becomes evident.

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